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DIRECTORATE OF
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New Zealand: Either major party could win the parliamentary elections scheduled for this Saturday.

A national poll published last week indicates the opposition Labor Party is making impressive gains, with 43.2 percent of the vote against the ruling National Party's 43 percent. An earlier poll in September showed National holding an eight percent lead. A seat-by-seat tally indicates that the races for 28 of the 84 seats in parliament are too close to predict. In the remote possibility that a deadlock between the two parties occurs, a new election would have to be scheduled.

No sharply defined issues have yet emerged from the campaign, and personalities are apparently playing a major role. Labor's sudden upswing seems largely the result of party leader Kirk's impressive campaign performance. Labor apparently is getting the votes of many immigrants and young people who are casting ballots for the first time. By contrast, Prime Minister Holyoake's appearances have been marred on several occasions by extreme heckling directed particularly at New Zealand's Vietnam policy.

Labor's improved prospects could be undermined if the current limited shipping strike expands into a nationwide tie-up that includes some violence. Kirk, however, probably is taking strong measures to keep the strike from redounding to Labor's disadvantage.

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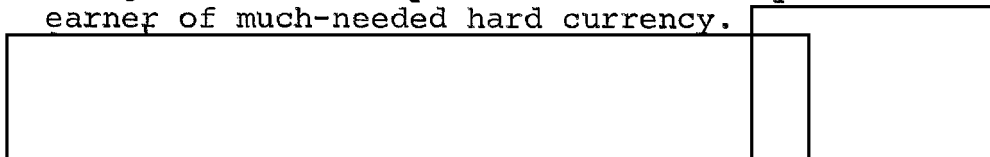
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Communist China - Hong Kong: Peking is exploiting the relaxation of US trade restrictions to capitalize on Western tourist trade in Hong Kong.

Two major Communist merchants have placed unprecedented advertisements in the leading English language newspaper that are specifically directed toward tourists and offer mail order service. In addition, several Communist-run stores in tourist areas have hired more English-speaking clerks and have replaced Maoist propaganda with luxury merchandise in window displays.

The primary motivation of this promotion campaign is commercial. By ordering local Communist outlets to pursue Western tourist trade, which accounts for a small portion of total Chinese sales through Hong Kong, Peking has once again indicated the great value it places on the colony as an earner of much-needed hard currency.



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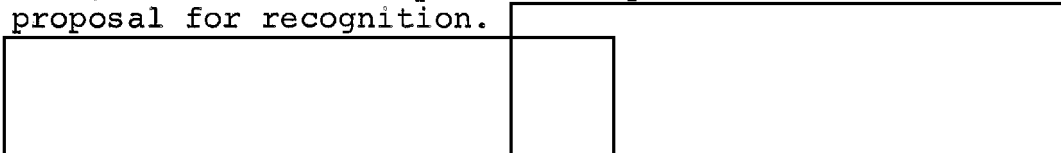
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Norway: The question of extending diplomatic recognition to North Vietnam is causing difficulty for the governing coalition.

The opposition Labor Party first raised the issue in the campaign before last September's parliamentary elections. After suffering a narrow defeat in its efforts to unseat the four-party coalition, Labor promised to split or wear down the government by repeated parliamentary challenges to its policies. On the Vietnam question the government responded to the challenge by making the question a vote of confidence, and the Labor Party motion was defeated by a narrow margin. Liberal Party members, although sympathetic to the idea, were forced to submit to parliamentary discipline because of their participation in the coalition.

Observers of the Norwegian political scene believe that the leaders of the coalition may have drawn the line too sharply and too soon on this issue, placing unnecessary pressure on the Liberals. Many Liberals have only grudgingly gone along with continuing in the government in the belief that the party's salvation after its disastrous showing in the elections lies in a return to unadulterated Liberal principles. Having been pushed into a corner on the matter of recognition of Hanoi, the party may feel it necessary to reassert itself on some other issue.

Should the government continue to win confidence votes, the Vietnam issue probably will not be brought up for another year. If the coalition falls, however, the Labor Party can be expected to revive its proposal for recognition.



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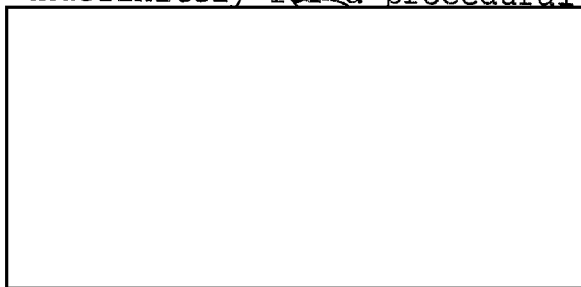
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UN-USSR: [The Soviets are continuing to push hard for favorable General Assembly action on their draft "international security" resolution, and its disposition remains in doubt.]

[The draft is a potpourri of favorite Soviet themes, many of which strike responsive chords among the various groups of states. It appears designed primarily for propaganda purposes.]

[Late last month, after more than two weeks of discussion in which over 80 delegates spoke, the Assembly's political and security committee suspended consideration of the Soviet initiative. The Indians, with Soviet support, have written another draft that would have the effect of producing an outcome along lines which Moscow favors. The Western group hopes for a mere procedural disposition of the initiative, perhaps through a long and detailed summary statement by the committee chairman noting the useful discussion. In any case, the content of the proposal is likely to be revived at the 25th anniversary session in 1970.]

[The Soviets have been angered by the lack of progress in the informal consultations that have taken place and last week twice threatened to put the matter to a vote in the Assembly. They may believe that the Western group is not united in opposition to a substantive outcome. The French have demonstrated "flexibility" on the Soviet and Indian texts, and the US mission at the UN received hints from a French delegate that Foreign Minister Schumann made certain commitments on this issue when he was in Moscow. A UK delegate has stated that his government may not be able to hold out indefinitely for a procedural disposition.]



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Czechoslovakia: Dissident workers may have disrupted some operations in one of Czechoslovakia's major industrial installations.

Five top security officials visited the East Slovak Ironworks in Kosice last week to discuss "certain problems" affecting "protection and safety" in plant operations, as well as "measures against crime." The high-level composition of the delegation suggests that a number of incidents of sabotage could have taken place.

Construction of the complex, one of Czechoslovakia's major producers of iron and steel, began ten years ago under the guidance of Soviet engineers and technicians. Since that time it has been dependent on Moscow for raw materials and has relied heavily on Soviet advisers. This could account for the Husak regime's concern. The factory's production record has been poor and erratic, in part because of slowdowns and vandalism by young workers dissatisfied with their working environment, wages, and incentives.

The security officers probably were sent to Kosice to introduce measures for secure and orderly production. They undoubtedly will base their actions on a new labor code that will go into effect early next year. Under the draft legislation, an employee with a poor work performance can be fired, fined, or lose his vacation time, and saboteurs and other dissidents will be more severely punished by the courts. The delegation included the federal minister and state secretary of interior, the minister of interior for the Czech Lands, the head of an unspecified Czechoslovak party central committee department, and the chief of the regional administration of the National Security Corps.



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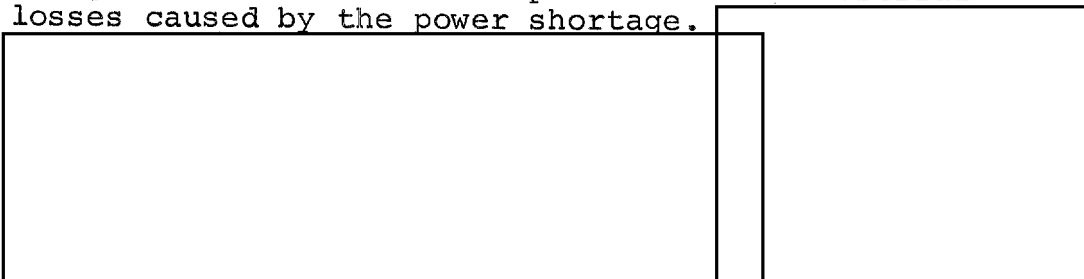
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Yugoslavia: Electricity has been cut off in some areas because of the continued extremely critical power shortage.

A state of emergency was declared Monday in Serbia, only a few days after supplies of electricity had been reduced 20 percent. In Belgrade and Zagreb, power was cut off completely during certain periods this month; in Belgrade some production was curtailed for a day.

Hydroelectric power provides more than two thirds of total Yugoslav supplies, and reserves in the hydroelectric accumulation lakes are the lowest in years.

Cutbacks in supplies have reduced industrial production in a number of enterprises. Some of these, including the Croatian carbide and ferroalloy industries, have ceased operations for an unspecified period. The Federal Economic Council is investigating whether shortcomings in electric power management are not also responsible for industrial losses caused by the power shortage.



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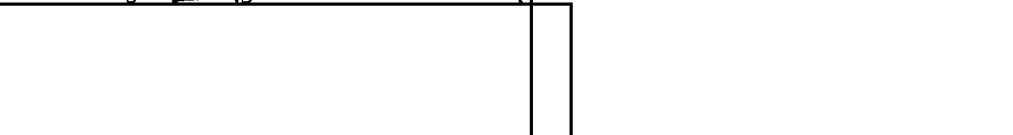
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Jordan: (Anti-US sentiment is growing as many Jordanians openly begin to question Amman's present close ties with the US.)

(Sharp criticism of the US surfaced most recently during a parliamentary debate on Jordan's relations with the US and its reliance on the US for arms. Some members of the normally tame Chamber of Deputies called for the severing of relations with the US and for expelling "suspect" US Embassy and AID employees. Other deputies charged the government with "bowing to US pressures" in the United Nations. Some members argued that Jordan should turn to the Communist bloc for arms, and one deputy praised Communist China's assistance to the fedayeen. Although Prime Minister Talhuni easily won a vote of confidence, he decided to postpone the debate on arms policy to a future secret session.)

(The seemingly spontaneous anti-US sentiment seems to arise mainly from Jordan's frustrations with the current situation. It is caught in an unrelieved tide of border conflict and harsh Israeli retaliation. Particularly galling is the freedom with which Israel can overfly Jordan.)

(Perhaps most frustrating to Jordan's leaders--including King Husayn--is the so far unsuccessful search for a peace agreement. They believe that a settlement with Israel is the only way they will be able to retain their moderate stance and prevent what they see as a steady drift toward a new war. The Jordanians regard the US as the prime backer and supplier of Israel, and thus most responsible for their predicament. Although the Jordanians, like most other Arabs, tend to exaggerate the extent of US influence over Israel, they seem likely to fasten increasingly on the US as a target for their growing frustrations.)



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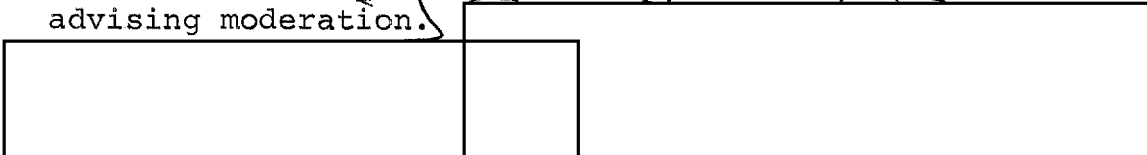
Somali Democratic Republic: Factions are developing within the ruling Supreme Revolutionary Council.

Two groups of officers are vying for position within the 25-member council

One group consists of most of the generals and colonels on the council, and includes General Siad, the council president. All but one of the 14 majors and captains on the council are said to be aligned against these senior officers.



It is not clear how each faction stands on particular issues. Some friction has already arisen, however, which may indicate that infighting is sharpening. Pressure from junior officers appears to be responsible for the council's decision to intensify the anticorruption campaign that was introduced after the coup. Some of the senior officers and civilian cabinet officials seem to have been reluctant to take this step, however, and are advising moderation.



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Bolivia: The government is trying to sell oil to the USSR and Eastern Europe following the loss of its markets after the seizure of the Bolivian Gulf Oil Company.

[REDACTED]

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A Hungarian economic official, who visited an international trade fair in Lima, expressed interest in Bolivia's offer to sell 30,000 barrels a day for an unspecified period. Hungary plans to send a delegation to La Paz for discussions. The volume offered corresponds to the net amount of Bolivian crude available for export following nationalization.

[REDACTED]

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[REDACTED] Bolivian crude oil is composed almost entirely of light distillates yielding products such as gasoline and kerosene. Although it would not provide the variety of petroleum products most needed by the Communist countries, it might be used in a blend with heavy Hungarian crude oil.

[REDACTED]

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West Germany - East Germany: Talks between the East and West Germans on postal and telecommunications matters, which began in September, resumed on Monday after two postponements by the West Germans. Bonn doubtless hopes that success in these talks will be a prelude to a future discussion of political differences. The willingness of the East Germans to resume the negotiations suggests that their demand for recognition may not prove an obstacle to political talks, especially if they see some economic advantages.

[REDACTED]

USSR: Brezhnev has admitted that this year has been "difficult" for agriculture and that capital investments in this sector have not been as large as planned. He added that farm procurement will be about that of the average of the last four years. He spoke at the opening of the third All-Union Congress of Collective Farmers in Moscow. The meeting was called to ratify the draft of the first new collective farm charter in more than 30 years.

Brezhnev advocated concentration on land reclamation, greater use of chemicals, increased deliveries of farm machinery, and economic incentives for agricultural production. These are the basic goals of the so-called Brezhnev program for agriculture introduced in 1965.

[REDACTED]

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Italy-Austria: The long drawn out controversy between Italy and Austria over the status of the German-speaking enclave of Alto Adige appears to be approaching resolution. A congress of the local political party narrowly approved an agreement on the rights of the minority in the area. Parliamentary endorsement in Italy and Austria is being sought before the 1970 elections to be held in both countries.



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